

June 24, 2010

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Arizona Corporation Commission  
Commissioners Wing  
1200 West Washington  
Phoenix, AZ 85007-2996

Mr. Tom Broderick  
Arizona American Water  
2355 West Pinnacle Peak Road, Suite 300  
Phoenix, AZ 85027

Arizona Corporation Commission  
DOCKETED  
JUN 28 2010

Dear Commissioners and Mr. Broderick:

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As you are aware, the Anthem Community Council has expressed its support for the state-wide consolidation of water and wastewater rates based on the initial information provided to us by Arizona American Water Company. However, we urge that additional information is required for the Council, as well as other Arizona American Water Company districts and the Arizona Corporation Commission, to supplement the merits of the consolidation proposal. Specifically:

1. Why is the Company in favor of consolidation?
2. How will consolidation affect the various classes of customers in each district in terms of increased or decreased monthly bill amounts (expressed in dollars)?
3. What impact will the expected \$25 million in capital improvements over the next 5 years for the Sun City districts have on each district compared to a "stand alone" scenario?
4. What impact will other anticipated capital improvement projects over the next 10 to 15 years have on each district compared to a "stand alone" scenario?
5. What are the other pros and cons regarding the consolidation proposal?
6. IF the Commission does not adopt consolidated rates, then what is the procedure to de-consolidate the Anthem/Agua Fria Wastewater district to create a true "stand alone" wastewater rate for Anthem?
7. What effect will the separation of Anthem from the Anthem/Agua Fria Wastewater district have on the wastewater rates of Anthem customers, both with and without statewide consolidation?
8. What effect will the elimination of the infrastructure costs by the Company to the developer have on Anthem's water and wastewater rates, both with and without statewide consolidation?

We suggest that the most effective way to determine items 2 through 7 is to compare the monthly bills for the "median" customers for select classes of customers for each district in the following scenarios:

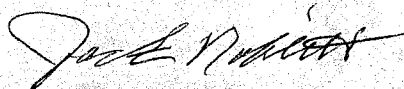
1. The cost using the current rates.
2. The cost using proposed "stand alone" rates under the current rate case, and the amount of increase/decrease compared to current rates.
3. The cost using proposed "consolidated" rates, reflecting the phase-in of these rates, and the amount of the increase/decrease compared to the proposed "stand alone" rates.
4. A pro forma look at estimated costs using "stand alone" and "consolidated" rates reflecting the impact of the Sun City capital improvements over the next 5 years.

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5. A pro forma look at estimated costs using "stand alone" and "consolidated" rates reflecting the impact of both the Sun City as well as anticipated capital improvements for all other districts over the next 10 to 15 years.

We sincerely hope that these key issues will be addressed by AAWC at the upcoming Town Hall meeting in Anthem on July 26 as well as at other scheduled Town Hall meetings. If you have any questions or comments in the meantime, please do not hesitate to contact Jenna Kollings, Community Executive Officer, at (623) 742-6050.

Sincerely,



Jack Noblitt, President  
on behalf of the Board of Directors  
Anthem Community Council, Inc.